GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

A Pension Trust Fund of the State of Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2002

GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P. O. Box 19255
Springfield, Illinois 62794-9255

Prepared by the Accounting Division

Printed by Authority of the State of Illinois
550/$1.56ea/12/02/126-02
Printed on Recycled Paper

TABLE OF CONTENTS

INTRODUCTORY SECTION 3
Letter of Transmittal 4
Board of Trustees & Administrative Staff 7
Certificate of Achievement for Excellence in Financial Reporting 8

FINANCIAL SECTION 9
Independent Auditors' Report 10
Management's Discussion & Analysis 13
Financial Statements:
Statements of Plan Net Assets 15
Statements of Changes in Plan Net Assets 16
Notes to Financial Statements 17

Required Supplementary Information:
Schedule of Funding Progress 24
Schedule of Employer Contributions . 24
Notes to Required Supplementary Information 24

Supplementary Financial Information:
Summary of Revenues by Source 25
Summary Schedule of Cash Receipts & Disbursements 25
Schedule of Payments to Consultants 26

INVESTMENT SECTION 27
Investment Report 28
Investment Portfolio Summary 31
Analysis of Investment Performance 31
Additional Investment Information 32

ACTUARIAL SECTION 33
Actuary's Certification Letter 34
Introduction 36
Actuarial Cost Method and Summary of Major Actuarial Assumptions 36
Summary of and Changes to the Plan Provisions 37
Short-Term Solvency Test 38
Valuation Results 38
Summary of Accrued and Unfunded Accrued Liabilities (Analysis of Funding) 39
Schedule of Retirants & Survivors' Annuitants Added to and Removed from Rolls 39
Reconciliation of Unfunded Actuarial Liability 40
Schedule of Active Member Valuation Data 40

STATISTICAL SECTION 41
Asset Balances 42
Liabilities and Reserve Balances 42
Revenues by Source 42
Expenses by Type 43
Benefit Expenses by Type 43
Number of Recurring Benefit Payments ... 44
Number on Active Payrolls 44
Active Retirees by State 44
Retirement Annuitants Statistics and Average Monthly Benefits 45
Number of Participants 45
Termination Refunds 46
Annuitants by Benefit Range (Monthly) 46
Survivors by Benefit Range (Monthly) 46

PLAN SUMMARY & LEGISLATIVE SECTION 47

INTRODUCTORY SECTION

Letter of Transmittal

STATE RETIREMENT SYSTEMS
• State Employees' Retirement System of Illinois
• General Assembly Retirement System
• Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255 217-785-7444

December 20, 2002

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report (CAFR) of the General Assembly Retirement System, State of Illinois (System) as of and for the fiscal year ended June 30, 2002 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

The report consists of six sections:

1. **The Introductory Section** contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;

2. **The Financial Section** contains management's discussion and analysis, the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;

3. **The Investment Section** contains a report on investment activity, investment policies, investment results and various investment schedules;

4. **The Actuarial Section** contains the Actuary's Certification Letter and the results of the annual actuarial valuation;

5. **The Statistical Section** contains significant statistical data; and

6. **The Plan Summary and Legislative Section** contains the System's plan provisions and current legislative changes.

Generally accepted accounting principles require that the financial reporting entity include:
1. the primary government;
2. organizations for which the primary government is financially accountable; and
3. other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the General Assembly Retirement System, Judges' Retirement System and State Employees' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include plan net asset information nor the changes in plan net assets of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY & SERVICES PROVIDED

The General Asembly Retirement System was established as a public employee retirement system (PERS) by state statute on July 1, 1947. As of June 30, 1948, the end of the System's first fiscal year of operations, there were a total of 190 participants and the plan net assets valued at cost amounted to approximately $39,000. The fair value of plan net assets at the end of fiscal year 2002 amounted to $54.1 million, and there were 286 total participants.

The mission of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities, and other benefits for members of the General Assembly, certain elected officials, and their beneficiaries."

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statues, using the "prudent person rule".

This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position.

The ISBI maintains a wide diversification of investments within this fund which is intended to reduce overall risk and increase returns. As further detailed in the Investment Section, this was a most challenging year in virtually all segments of the financial markets.

FUNDING

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments. The greater the level of funding, the larger the ratio of accumulated assets to the actuarial accrued liability and the greater the level of investment potential.

A new funding plan for the System, enacted in 1994, requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of accumulated assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll.

For those fiscal years up through 2010, the required state contributions are to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045.

In addition, the funding legislation also provided for the establishment of a continuing appropriation of the required state contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

The actuarial determined liability of the System using the projected unit credit actuarial method at June 30, 2002, amounted to $184.6 million. The actuarial value of assets (at fair value) amounted to $54.1 million as of the same date. A detailed discussion of funding is provided in the Actuarial Section of this report.

ACCOUNTING SYSTEM & INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The accrual basis of accounting is used to record the financial transactions and activities of the System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recognized when the corresponding liabilities are incurred, regardless of when payment is made.

The System also uses the State of Illinois, Statewide Accounting Management System (SAMS) as a basis for the preparation of the financial statements.

Letter of Transmittal

MAJOR EVENTS/ INITIATIVES

During fiscal year 2002, the System installed a newly purchased general ledger accounting system and continued to evaluate and expand upon the services available through the System's internet site. In addition, the System also implemented changes required by the various pension provisions contained in the Economic Growth and Tax Relief Act of 2001 (H.R. 1836) that was passed by Congress and signed into law by President Bush on June 6, 2001.

During fiscal year 2003, the System will continue to evaluate and expand the services available to members through the System's internet site, as well as continuing to offer pre-retirement, post-retirement, and one-on-one counseling sessions at various locations throughout the state. In addition, the State Retirement System's EDP Division will conduct a needs assessment review to identify future computer hardware and information system needs.

Letter of Transmittal

In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois. The System's investment function is managed by the Illinois State Board of Investment.

The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen, LLP, under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a one year compliance audit was also performed by the auditors.

The purpose of the compliance audit was to determine whether the System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2001.

The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the past thirteen consecutive years (fiscal years ended June 30, 1989 through June 30, 2001).

We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS AND COMMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and for determining responsible stewardship for the assets contributed by the members in the State of Illinois.

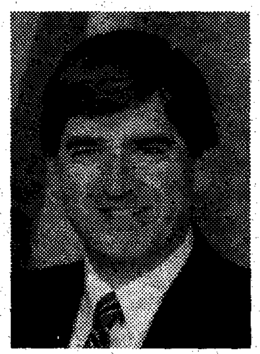
On behalf of the Board of Trustees, we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division

Administration



REPRESENTATIVE
Lee A. Daniels
Chairman

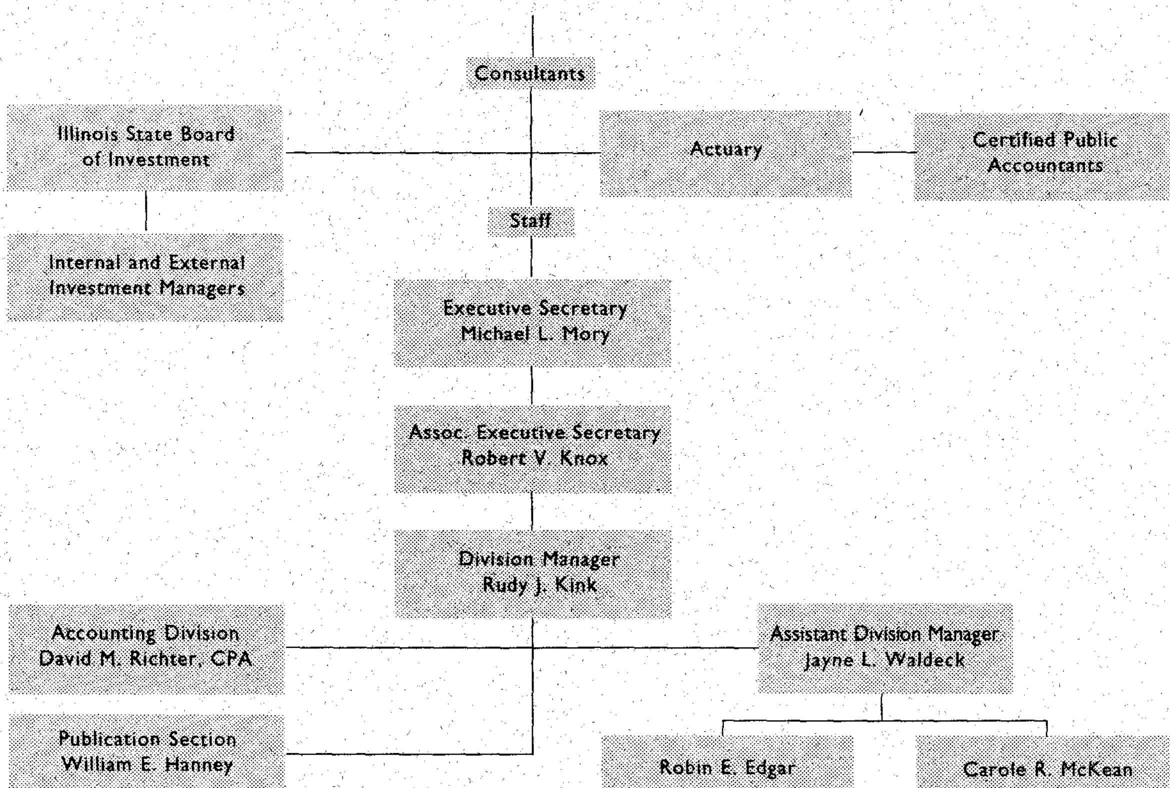
SENATOR
Laura Kent Donahue

REPRESENTATIVE
Kurt M. Granberg

REPRESENTATIVE
Philip W. Collins
Retired Annuitant Member

** Three GARS Board seats are currently vacant.*

BOARD OF TRUSTEES



Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

General Assembly Retirement System, State of Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

FINANCIAL SECTION

Independent Auditor's Report

McGladrey & Pullen
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
General Assembly Retirement System, State of Illinois
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying statement of plan net assets of the General Assembly Retirement System, State of Illinois, (the System), as of June 30, 2002 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the General Assembly Retirement System, State of Illinois for the year ended June 30, 2001 were audited by other auditors whose report, dated October 25, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the plan net assets of the General Assembly Retirement System, State of Illinois as of June 30, 2002, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 13 and 14 and the schedules of funding progress and employer contributions on page 24 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 10 to the financial statements, the System adopted GASB Statements No. 34, 37 and 38, effective July 1, 2001.

In accordance with Government Auditing Standards, we will also issue, under separate cover, our report dated November 20, 2002 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Independent Auditor's Report

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the System for the year ended June 30, 2002. The introductory section, supplementary financial information on pages 25 and 26, investment section, actuarial section, statistical section and plan summary and legislative section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary financial information on pages 25 and 26 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The supplementary financial information on pages 25 and 26 for the year ended June 30, 2001 was audited by other auditors whose report, dated October 25, 2001, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, statistical and plan summary and legislative sections listed in the table of contents were not subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2002 and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Chicago, Illinois
November 20, 2002

This page is intentionally left blank.

Management's Discussion & Analysis

This section presents management's discussion and analysis of the financial position and performance of the General Assembly Retirement System (System) for the year ended June 30, 2002. It is presented as a narrative overview and analysis. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal included in the Introductory Section, of the Comprehensive Annual Financial Report.

The System is a defined benefit, single-employer public employee retirement system. It provides services to approximately 180 active participants and nearly 360 benefit recipients. Throughout this discussion and analysis units of measure (i.e. billions, millions, thousands) are approximate, being rounded up or down to the nearest tenth of the respective unit value.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's financial reporting which is comprised of the following components:

(1) Basic Financial Statements. For the fiscal year ended June 30, 2002, basic financial statements are presented for the System. This information presents the net assets held in trust for pension benefits for the System as of June 30, 2002. This financial information also summarizes the changes in net assets held in trust for pension benefits for the year then ended.

(2) Notes to the Financial Statements. The notes to the Financial Statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.

(3) Required Supplementary Information. The required supplementary information consists of two schedules and related notes concerning actuarial information, funded status and required contributions for the System.

(4) Other Supplementary Schedules. Other schedules include more detailed information pertaining to the System, including schedules of revenues by source, cash receipts and disbursements, and payments to consultants.

FINANCIAL HIGHLIGHTS

- The System's net assets decreased by $7.9 million, or 12.8% during fiscal year 2002. The decrease was primarily due to a downturn in equity markets and increasing benefit payments.
- The System was actuarially funded at 29.3% as of June 30, 2002 a decrease from 34.9% as of June 30, 2001.
- The System's rate of return from investments was a negative 6.9% compared to the prior year investment return of negative 7.1%.

This financial report is designed to provide a general overview of the General Assembly Retirement System's finances for all those with an interest in the System's finances.

ADDITIONS TO PLAN NET ASSETS

Additions to Plan Net Assets include employer and participant contributions and net income from investment activities. Participant contributions were approximately $1.6 million and $1.4 million for the years ended June 30, 2002 and 2001, respectively. Participant contribution rates are set by statute as a percentage of gross salary. Employer contributions increased to approximately $4.7million in 2002 from approximately $4.3

PLAN NET ASSETS

The Statements of Plan Net Assets are presented for the System as of June 30, 2002 and 2001. These financial statements reflect the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the System's Plan Net Assets is presented below.

Condensed Statements of Plan Net Assets
(in thousands)

	2002	2001	Increase/(Decrease) Dollar Change	Increase/(Decrease) Percent Change
Cash and cash equivalents	$ 1,297.6	$ 1,632.1	$ (334.5)	(20.5)%
Receivables	701.6	19.5	682.1	3,497.9
Investments, at fair value	52,154.4	60,463.0	(8,308.6)	(13.7)
Fixed assets, net	2.1	2.8	(.7)	(25.0)
Total assets	54,155.7	62,117.4	(7,961.7)	(12.8)
Liabilities	105.1	119.6	(14.5)	(12.1)
Total plan net assets	$54,050.6	$61,997.8	$(7,947.2)	(12.8)%

Management's Discussion & Analysis

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Assembly Retirement System, Accounting Division, 2101 S. Veterans Parkway, P. O. Box 19255, Springfield, Illinois 62794

million in 2001. This increase was based on contributions required by the State's funding plan.

DEDUCTIONS FROM PLAN NET ASSETS

Deductions from Plan Net Assets are primarily benefit payments. During 2002 and 2001, the System paid out approximately $10.0 million and $9.3 million, respectively, in benefits and refunds, an increase of approximately 8.2% from 2001. Those higher payments were mainly due to an increase in the number of retirees and higher employee salaries on which the payments are based. The administrative costs of the System represented approximately 3% of total deductions in both 2002 and 2001.

CHANGES IN PLAN NET ASSETS

The Statements of Changes in Plan Net Assets are presented for the years ended June 30, 2002 and 2001. These financial statements reflect the changes in the resources available to pay benefits to members, including retirees and beneficiaries.

Condensed Statements of Changes in Plan Net Assets
(in thousands)

			Increase/(Decrease)	
	2002	**2001**	**Dollar Change**	**Percent Change**
Additions				
Participant contributions	$ 1,552.3	$ 1,407.6	$ 144.7	10.3%
Employer contributions	4,721.5	4,311.9	409.6	9.5
Net investment (loss)	(3,914.8)	(4,650.9)	736.1	15.8
Total additions	2,359.0	1,068.6	1,290.4	120.8
Deductions				
Benefits	9,953.2	9,228.0	725.2	7.9
Refunds	68.2	37.8	30.4	80.4
Administrative expenses	284.8	276.4	8.4	3.0
Total deductions	10,306.2	9,542.2	764.0	8.0
Net (decrease) in plan net assets	$(7,947.2)	$(8,473.6)	$ 526.4	6.2%

FUNDED RATIO

The funded ratio of the plan measures the ratio of net assets against actuarially determined liabilities and is one indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. An annual actuarial valuation is required by statute. The most recent available valuation showed the funded status of the System on June 30, 2002 decreased to 29.3% from 34.9% at June 30, 2001. The amount by which actuarially determined liabilities exceeded net assets was $130.5 million at June 30, 2002 compared to $115.5 million at June 30, 2001. Several reasons for the decrease were weak financial markets in 2001 and 2002, and an increase in actuarial liabilities.

INVESTMENTS

Investments of the System are combined in a commingled investment pool with the Judges' Retirement System and the State Employees' Retirement System. Each system owns an equity position in the pool and receives proportionate investment income from the pool in accordance with respective ownership percentage.

Investment gains or losses are reported in the Statement of Changes in Plan Net Assets of each retirement system. The rate of return on investments is, therefore, the same for each of the systems.

Net investment losses totaled approximately $3.9 million during 2002, versus net investment losses of $4.7million in 2001, resulting in returns of negative (6.9)% and (7.1)%, respectively. For the five year period ended June 30, 2002, the System earned a compounded rate of return of 5.2%. The decrease in investment income in 2002 and 2001 was the result of the overall downturn of global financial markets.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Plan Net Assets
June 30, 2002 and 2001

	2002	2001
Assets		
Cash	$ 1,297,601	$ 1,632,080
Receivables:		
Employer contributions	694,666	–
Participants' contributions	2,984	13,356
Refundable annuities	956	–
Interest on cash balances	2,962	6,190
Total receivables	701,568	19,546
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	52,154,420	60,463,005
Equipment, net of accumulated depreciation	2,081	2,833
Total Assets	54,155,670	62,117,464
Liabilities		
Benefits payable	6,143	12,291
Refunds payable	–	3,518
Administrative expenses payable	31,356	28,174
Due to Judges' Retirement System of Illinois	67,604	62,280
Participants deferred service credit accounts	–	13,354
Total Liabilities	105,103	119,617
Net assets held in trust for pension benefits	$ 54,050,567	$ 61,997,847

(A schedule of funding progress is presented on page 24.)

See accompanying notes to financial statements.

Financial Statements

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Changes in Plan Net Assets
Years Ended June 30, 2002 and 2001

	2002	2001
Additions:		
Contributions:		
Participants	$ 1,552,295	$ 1,407,638
Employer	4,721,478	4,311,909
Total contributions	6,273,773	5,719,547
Investments:		
Net investment income	1,346,042	1,642,488
Interest earned on cash balances	43,745	102,744
Net (depreciation) in fair value of investments	(5,304,627)	(6,396,149)
Total net investment (loss)	(3,914,840)	(4,650,917)
Total Additions	2,358,933	1,068,630
Deductions:		
Benefits:		
Retirement annuities	8,111,247	7,505,092
Survivors' annuities	1,841,986	1,722,868
Total benefits	9,953,233	9,227,960
Refunds of contributions	68,205	37,824
Administrative expenses	284,775	276,443
Total Deductions	10,306,213	9,542,227
Net (Decrease)	(7,947,280)	(8,473,597)
Net assets held in trust for pension benefits:		
Beginning of year	61,997,847	70,471,444
End of year	$ 54,050,567	$ 61,997,847

See accompanying notes to financial statements.

Financial Statements

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements June 30, 2002 and 2001

1. Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The General Assembly Retirement System (System) is administered by a Board of Trustees consisting of seven persons, which include the President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives, and one person elected from the member annuitants.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal years 2002 and 2001 were each less than $30,000. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

2. Plan Description

The System is the administrator of a single-employer defined benefit public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

a. Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

At June 30, 2002 and 2001, the System membership consisted of:

	2002	2001
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	227	226
Survivors' annuities	123	122
Reversionary annuities	3	3
	353	351
Inactive participants entitled to benefits but not yet receiving them	105	111
Total	458	462
Current participants:		
Vested	145	145
Nonvested	36	36
Total	181	181

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees.

Financial Statements

b. Contributions

In accordance with Chapter 40 Section 5/2-126 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11.5% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
11.5%	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service.

The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/2 of the Illinois Compiled Statutes.

c. Benefits

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62.

3.0% for each of the first 4 years of service
3.5% for each of the next 2 years of service
4.0% for each of the next 2 years of service
4.5% for each of the next 4 years of service
5.0% for each year of service in excess of 12 years

The General Assembly Retirement System also provides annual automatic annuity increases for retirees and survivors, survivors' annuity benefits, reversionary annuity benefits, and under specified conditions, lump-sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the formula in the box above based upon the participants' final rate of salary. The maximum retirement annuity payable is 85% of the final rate of salary.

3. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles.

Participant and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan.

The System has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB Pronouncements.

b. Cash and Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. "Available cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement.

Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The ISBI's master custodian is The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Financial Statements

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) and are maintained in the ISBI Commingled Fund. The ISBI reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs.

Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of June 30. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled equity funds, the net asset value is determined and certified by the commingled equity fund manager as of June 30. Fair value for directly owned real estate investments is determined by appraisals.

Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A-112 of the ILCS. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake. The ISBI does not have any one investment which represents 5 percent or more of the ISBI's net assets.

The ISBI participates in a securities lending program at its custodian bank, whereby securities are loaned to brokers and, in return, the ISBI has rights to a portion of a collateral pool. All of the ISBI's securities are eligible for the securities lending program. Collateral consists solely of cash, letters of credit, commercial paper and government securities having a market value equal to or greater than the securities loaned. There are no provisions for ISBI indemnification on the securities lending transactions. As of June 30, 2002 and 2001 the ISBI had outstanding loaned investment securities having market values of $671,816,775 and $1,011,910,854, respectively, against which it had received collateral with values of $692,016,339 and $1,047,527,926, respectively.

The ISBI's international managers invest in derivative securities. During the year, the ISBI's derivative investments included forward foreign currency contracts. Forward foreign currency contracts are used to hedge against the currency risk in the ISBI's foreign stock and fixed income portfolios. The remaining derivative securities are used to improve yields, or to hedge changes in interest rates.

The ISBI also invests in mortgage-backed securities to maximize yields and to hedge against a rise in interest rates. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The System owns approximately 1.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 2002. A schedule of investment expenses is included in the ISBI's annual report.

For additional information on ISBI's investments, please refer to their Annual Report as of June 30, 2002. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

Financial Statements

ISBI investments, as categorized by ISBI, are categorized to indicate the level of risk assumed by the ISBI at year end.

- Category I includes investments that are insured or registered or the securities are held by the master custodian in the ISBI's name.

- Category II includes uninsured and unregistered investments with the securities held by the counterparty's agent in the ISBI's name.

- Category III includes uninsured and unregistered investments with the securities held by the counterparty but not in the ISBI's name.

Investments in pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

ISBI's investments categorized as of June 30, 2002

	Fair Value	Category I	Non Categorized
U.S. Government & Agency Obligations	$ 1,057,628,472	$1,057,628,472	$ –
Foreign Obligations	84,261,722	84,261,722	–
Corporate Obligations	807,243,888	807,243,888	–
Convertible Bonds	159,060	159,060	–
Common Stock & Equity Funds	3,573,004,993	1,890,326,983	1,682,678,010
Convertible Preferred Stock	75,520	75,520	–
Preferred Stock	8,051	8,051	–
Foreign Equity Securities	1,231,600,202	1,200,563,087	31,037,115
Real Estate Funds	417,054,183	–	417,054,183
Alternative Investments	414,830,358	–	414,830,358
Money Market Instruments	345,095,683	–	345,095,683
Forward Foreign Exchange Contracts	511,922	511,922	–
Total Investments	$ 7,931,474,054	$ 5,040,778,705	$ 2,890,695,349

c. Actuarial Experience Review

In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. The System's actuarial consultant performed an experience review for the five-year period ending June 30, 2002. Based upon the results of the review, several changes were made to the actuarial assumptions. These changes had the effect of increasing the actuarial liability and the related unfunded actuarial accrued liability by $1,211,951.

d. Administrative Expenses

Expenses related to the administration of the System are financed through investment earnings and employer retirement contributions. These expenses are budgeted and approved by the System's Board of Trustees.

Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' Retirement System.

Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 2002 and 2001, were $237,029 and $238,005, respectively.

e. Risk Management

The System, as part of the primary government of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. The System obtains commercial insurance for fidelity, surety, and property. There have been no commercial insurance claims in the past three fiscal years.

4. Funding - Statutory Contributions Required and Contributions Made

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method.

For fiscal years 2002 and 2001, the required employer contributions were computed in accordance with Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%.

In addition, the funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

The total amount of statutorily required employer contributions for fiscal years 2002 and 2001 was $4,678,000 and $4,305,000, respectively. The total amount of employer contributions received from the state during fiscal years 2002 and 2001 was $4,678,000 and $4,305,000, respectively.

5. Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal years 2002 and 2001 is listed at right.

6. Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, and (3) certain electronic data processing equipment - 3 years.

7. Accrued Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after December 31, 1983 and prior to January 1, 1998 upon termination of employment. These accrued compensated absences as of June 30, 2002 and 2001 total $27,580 and $24,540, respectively and are included in administrative expenses payable.

Financial Statements

Administrative expenses for fiscal years 2002 and 2001

	2002	2001
Personal services	$156,235	$160,320
Employee retirement contributions paid by employer	6,257	6,010
Employer retirement contributions	15,705	15,950
Social Security contributions	10,604	11,122
Group insurance	20,169	17,514
Contractual services	60,087	57,511
Travel	1,671	2,040
Printing	1,639	1,459
Commodities	284	383
Telecommunications	1,625	1,513
Electronic data processing	5,688	5,403
Depreciation	1,771	1,985
Change in accrued compensated absences	3,040	(4,767)
Total	$284,775	$276,443

Summary of the changes in fixed assets for fiscal years 2002 and 2001

2002

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 28,663	$ 1,019	$ (1,342)	$ 28,340
Accumulated depreciation	(25,830)	(1,771)	1,342	(26,259)
Equipment, net	$ 2,833	$ (752)	$ –	$ 2,081

2001

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 30,503	$ 503	$ (2,343)	$ 28,663
Accumulated depreciation	(26,188)	(1,985)	2,343	(25,830)
Equipment, net	$ 4,315	$ (1,482)	$ –	$ 2,833

Financial Statements

8. Pension Plan

Plan Description. All of the System's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity.

The SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems.

The financial position and results of operations of the SERS for fiscal years 2002 and 2001 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2002 and 2001, respectively. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling 217-785-7202.

The State of Illinois' CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois, 62704-1858 or by calling 217-782-2053.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy. The System pays employer retirement contributions based upon an actuarially determined percentage of its payrolls. For fiscal years 2002 and 2001 the employer contribution rates were 10.04% and 9.944%, respectively.

Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most state agencies with employees covered by the State Employees' and Teachers' Retirement Systems.

The "pickup" is subject to sufficient annual appropriations and those employees covered may vary across employee groups and state agencies. Currently, state officers, judges, general assembly members, and state university employees are not eligible for the employee pickup.

Other Post-Employment Benefits. In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the System.

Substantially all state employees including the System's employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the years ended June 30, 2002 and 2001. However, post-employment costs for the state as a whole for all state agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the State of Illinois' Comprehensive Annual Financial Report.

Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis. The System is not the administrator of any of the other post-employment benefits described above.

9. Analysis of Changes in Reserve Balances

The funded statutory reserves of the General Assembly Retirement System are composed of two components as follows:

a. Reserve for Participants' Contributions
This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

b. Reserve for Future Operations
This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

10. New Accounting Pronouncements

In June, 1999 the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). In June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, which amended certain provisions of GASB 34. In June, 2001 the GASB also issued GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified, established, and rescinded certain financial statement disclosure requirements.

Effective July 1, 2001, the System adopted GASB Statements 34, 37, and 38 which had no impact on the System's basic financial statements or its net assets. The adoption of GASB 34 required the System to present Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements.

11. Subsequent Event

The ISBI Commingled Fund had a decline in its investment portfolio subsequent to year end due to turbulent market conditions. At September 30, 2002, the ISBI Commingled Fund had incurred an approximate $880 million (11.1%) decrease in its investment portfolio due to declines in the domestic and international equity markets.

Statements of Changes in Reserve Balances
Years Ended June 30, 2002 and 2001

	Participants' Contributions	Future Operations	Total Reserve Balances
Balance at June 30, 2000	$13,697,347	$56,774,097	$70,471,444
Add (deduct):			
Excess of revenues over/(under) expenses	1,376,723	(9,850,320)	(8,473,597)
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(406,269)	406,269	–
Balance at June 30, 2001	14,667,801	47,330,046	61,997,847
Add (deduct):			
Excess of revenues over/(under) expenses	1,527,568	(9,474,848)	(7,947,280)
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(842,207)	842,207	–
Balance at June 30, 2002	$15,353,162	$38,697,405	$54,050,567

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/97	$56,709,651	$143,836,605	$87,126,954	39.4%	$9,362,000	930.6%
6/30/98	62,737,590	150,408,448	87,670,858	41.7	10,005,000	876.3
6/30/99	66,832,508	160,870,755	94,038,247	41.5	10,467,000	898.4
6/30/00	70,471,444	169,362,915	98,891,471	41.6	10,763,000	918.8
6/30/01	61,997,847	177,546,144	115,548,297	34.9	11,479,000	1,006.6
6/30/02	54,050,567	184,582,544	130,531,977	29.3	12,089,000	1,080.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution per GASB Statement No. 25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1997	$4,939,052	55.4%	$2,738,000	100.0%
1998	5,318,505	58.5	3,113,000	100.0
1999	6,092,002	60.7	3,504,000	105.6
2000	6,311,995	62.6	3,951,000	100.0
2001	6,530,519	65.9	4,305,000	100.0
2002	6,961,911	67.2	4,678,000	100.0

Notes to Required Supplementary Information

Valuation date: June 30, 2002

Actuarial cost method: Projected Unit Credit

Amortization method:

a. For GASB Statement No. 25 reporting purposes: Level percent of payroll

b. Per state statute: 15-year phase-in to a level percent of payroll until a 90% funding level is achieved

Remaining amortization period:

a. For GASB Statement No. 25 reporting purposes: 40 years, open

b. Per state statute: 43 years, closed

Asset valuation method: Fair value

Actuarial assumptions:

Investment rate of return: 8.0 percent per year, compounded annually

Projected salary increases: 6.5 percent per year, compounded annually

Assumed inflation rate: 4.0 percent

Group size growth rate: 0.0 percent

Post-retirement increase: 3.0 percent per year, compounded annually

Supplementary Financial Information

SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 2002 and 2001

	2002	2001
Contributions:		
Participants:		
Participants	$ 1,437,146	$ 1,393,673
Interest paid by participants	7,063	13,965
Transferred from reciprocating systems	108,086	–
Total participant contributions	1,552,295	1,407,638
Employer:		
General Revenue Fund	4,168,000	3,815,000
State Pension Fund	510,000	490,000
Paid by participants	–	6,909
Received from reciprocating systems	43,478	–
Total employer contributions	4,721,478	4,311,909
Total contributions revenue	6,273,773	5,719,547
Investments:		
Net investment income	1,346,042	1,642,488
Interest earned on cash balances	43,745	102,744
Net (depreciation) in fair value of investments	(5,304,627)	(6,396,149)
Total net investment (loss)	(3,914,840)	(4,650,917)
Total revenues	$ 2,358,933	$ 1,068,630

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 2002 and 2001

	2002	2001
Cash balance, beginning of year	$ 1,632,080	$ 1,638,076
Receipts:		
Participant contributions	1,529,385	1,383,519
Employer contributions:		
General Revenue Fund	3,473,334	3,815,000
State Pension Fund	510,000	490,000
Received from reciprocating systems	43,478	–
Interest income on cash balances	46,973	104,552
After-tax installment payments	4,166	1,856
Tax-deferred installment payments	15,763	19,396
Cancellation of annuities	4,336	3,233
Cancellation of refunds	560	–
Transfers from Illinois State Board of Investment	4,350,000	3,700,000
Miscellaneous	–	20
Total cash receipts	9,977,995	9,517,576
Disbursements:		
Benefit payments:		
Retirement annuities	8,125,735	7,492,801
Survivors' annuities	1,838,939	1,726,101
Refunds	72,283	34,306
Administrative expenses	275,517	270,364
Total cash disbursements	10,312,474	9,523,572
Cash balance, end of year	$ 1,297,601	$ 1,632,080

Supplementary Financial Information

SCHEDULE OF PAYMENTS TO CONSULTANTS
Years Ended June 30, 2002 and 2001

	2002	2001
Actuary	$15,000	$14,000
Audit fees	18,059	16,217
Legal services	73	–
Total	$33,132	$30,217

INVESTMENT SECTION

Investment Section

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI). The ISBI was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state.

In addition to the assets of the General Assembly Retirement System, the ISBI also manages the investment function for the State Employees' and Judges' Retirement Systems. All ISBI investments are accounted for in a commingled fund (ISBI Fund).

As of June 30, 2002, total net assets under management valued at market, amounted to $7.928 billion. Of the total market value of assets under management, $52.2 million or approximately 1% represented assets of the General Assembly Retirement System.

A summary of the portfolio's largest holdings, as well as the complete listing of the ISBI portfolio, are included in the ISBI Annual Report. A schedule of fees and commissions paid by brokerage firm and a listing of transactions executed, including transaction value, are also contained in the ISBI Annual Report. The following investment information and analysis has been prepared by the ISBI.

Investment Policy

The ISBI operates under a strategic investment policy that is reviewed and approved at least every two years. The investment objective of the total portfolio is to maximize the rate of return on investments within a prudent level of risk. To achieve this objective, the ISBI invests in different types of assets and uses multiple managers to ensure diversification.

Over an investment cycle, the ISBI seeks to achieve a rate of return that is at least equal to the assumed actuarial interest rate, currently 8.0% per year, and at least equal to the return of the policy-weighted benchmark, a theoretical "indexed" implementation of ISBI's asset allocation policy.

	Actual Asset Allocation	Policy Target
U.S. Equities	46%	46%
International Equities	16	15
Fixed Income	27	23
Real Estate	5	8
Alternative Investments	5	8
Cash	1	–
Total	100%	100%

Asset Allocation

The investment policy of the ISBI Board establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. The policy is implemented by allocations to investment managers with assignments to invest in specific asset classes, with defined security selection styles and methodologies. During fiscal 2002, the ISBI Board reviewed the strategic asset allocation policy, and effective April 1, 2002, made certain changes to the policy. The ISBI Board reduced its allocation to international equities, with increases to U.S. equities, fixed income, and real estate. The policy asset allocation at June 30, 2002 was 46% U.S. equities, 15% international equities, 23% fixed income, 8% real estate, and 8% alternative investments.

The actual asset allocation of the portfolio at June 30, 2002, as relative to the policy target, is set forth in the table below. Fixed income was modestly overweighted relative to the policy target, to compensate for an underweight to private market categories (alternative investments and real estate). As the Board fills the alternatives and real estate categories, the overweight categories will be reduced accordingly.

Investment Results

World equity markets continued their turbulent corrections during fiscal 2002. The ISBI total fund was down 6.9% for fiscal 2002, net of expenses. This loss follows on a negative result for fiscal 2001, and reflects the ongoing negative stock market environment, both in the U.S. and abroad. While the fund clearly did not meet its long-term objective of exceeding the 8.0% assumed actuarial interest rate, the return was modestly ahead of the policy-weighted benchmark return, which lost 7.3%. For the ten-year period ended June 30, 2002, the fund has beat the actuarial hurdle, with an average annual return of 9.1%.

U.S. Equities

During fiscal 2002, the events of September 11, coupled with growing doubts about the integrity of corporate financial statements, produced a volatile and ultimately declining stock market. Initially hard hit following the September terrorist attack, the stock market staged a strong recovery through March 2002. However, renewed fears about accounting fraud, coupled with escalating issues in the Middle East, caused the bear market to resume. For the twelve months ended June 30, 2002, the Russell 3000 Index, a broad representation of the U.S. market, lost 17.2%. Continuing the trend of the prior year, value stocks exceeded growth stocks, with the Russell 3000 Value Index losing 7.8%, compared to the Russell 3000 Growth Index loss of 26.4%. Small capitalization stocks continued a three-year streak of outperforming large capitalization stocks, with the Russell 2000 Index losing 8.6%, vs. an 18.0% loss for the S&P 500.

The return on ISBI's U.S. equity portfolio was down 14.6% for the fiscal year, over 250 basis points ahead of the Russell 3000. While a negative return is never the desired result, the portfolio did perform as it was constructed to do; namely, to limit tracking error relative to the benchmark and to add value with active management. The ISBI Board, through structure analysis, rebalancing, and risk management, has achieved the objective of tracking the market with predictable consistency.

The ten-year average annual return of 11.4% shows that even considering the losses in fiscal 2002 and fiscal 2001, the U.S. stock market has rewarded the long-term investor.

International Equities

While foreign markets succumbed to some of the anxieties besetting U.S. equities, on the whole they performed somewhat better. The Morgan Stanley All-Country Free ex US ("MS-AC Free ex US") Index, gave up 8.2% for the fiscal year, about nine percentage points ahead of the U.S. return. As in the U.S., value stocks held up better than growth stocks.

The return on ISBI's international equity portfolio, down 6.3%, outperformed the benchmark by almost 200 basis points for the fiscal year. As with the U.S. equity portfolio, the ISBI Board has the twin objectives of limiting tracking error relative to the benchmark and adding value with active management. The returns for longer time periods demonstrate that the ISBI has met these goals for most time periods.

Fixed Income

During fiscal 2002, earnings fears that hurt the stock market caused the opposite reaction in the bond market, with U.S. Treasuries leading the rally. Continuing disclosures of substantial earnings revisions dampened corporate bond returns, with high yield bonds suffering the most. The Lehman U.S. Universal Bond Index returned 7.7% for the year.

The ISBI fixed income portfolio lagged the benchmark for the fiscal year, earning 5.5%. The cause of this under performance is chiefly because of an above benchmark weighting to corporate issues relative to governments. While this strategy has achieved good long-term results, it has not worked well in the current environment where any credit risk is punished.

The ISBI has traditionally managed substantially all fixed income assets internally. The ISBI is in the process of transitioning 2/3 of the fixed income assets to three diversified external managers. The remaining internal portfolio will be a risk-constrained investment grade portfolio. The ISBI Board believes that the new structure will minimize the negative surprises such as those experienced during fiscal 2002, and result in more predictable fixed income returns.

Real Estate

Real estate provided a safe haven from the stock market during fiscal 2002, with the NCREIF Real Estate Index, a measure of core, operating, non-leveraged real estate, earning 5.9%. The ISBI's real estate portfolio, powered by realizations and mark-to-markets in several opportunity funds, earned a more substantial 11.5%.

Prior to fiscal 2001, the ISBI Board's real estate policy was to seek higher return real estate opportunities while controlling for risk. Therefore, investments focused on value-added or opportunistic strategies. However, over the last two years the ISBI Board has

Investment Section

U.S. EQUITIES

	1 Year	3 Years	5 Years
ISBI	(14.6)%	(5.4)%	4.8%
S&P 500 Stock Index	(18.0)	(9.2)	3.7
Russell 3000 Index	(17.2)	(7.9)	3.8

FIXED INCOME

	1 Year	3 Years	5 Years
ISBI	5.5%	6.3%	6.6%
Lehman U.S. Univ. Bond Index	7.7	7.7	7.2

INTERNATIONAL EQUITIES

	1 Year	3 Years	5 Years
ISBI	(6.3)%	(4.5)%	0.3%
MS-AC Free ex US Index	(8.2)	(6.2)	(1.7)

Investment Section

increased the real estate strategic allocation from 5% to 8% of the total fund. At the new allocation level, the ISBI Board felt it was appropriate to target 50% of its real estate to core, income producing real estate, with the balance in higher return strategies.

The ISBI Board completed searches in fiscal 2002, for funding in early fiscal 2003, which should move the portfolio substantially closer to this goal. All of the ISBI's current investments in real estate are passive and are represented by interests in limited partnerships, trusts, and other forms of pooled investments.

REAL ESTATE

	1 Year	3 Years	5 Years
ISBI	11.5%	7.6%	10.6%
NCREIF Real Estate Index	5.9	10.1	12.5

Alternative Investments

As in the stock market, alternative investments continued to experience fallout from investors' disillusionment with technology. Overall, the ISBI's alternative investments portfolio lost 18.4% for the fiscal year, in line with results in the public stock market. The alternative investments portfolio consists of passive interests in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts, and other private placement activities.

In spite of the setbacks of the last three years, long-term results show that alternative investments remain the best performing asset class for the five and ten-year periods ended June 30.

Management Expenses

Total ISBI expenses for the fiscal year were $18.6 million, compared to $20.6 million for fiscal 2001. The resulting expense ratio (expenses divided by total net assets) was 0.23% in fiscal 2002, compared to 0.24% in fiscal 2001.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 2002		June 30, 2001	
Investments, at fair value				
U.S. Government and Agency Obligations	$ 1,057,628,472	13.34%	$ 1,134,638,341	13.22%
Foreign Obligations	84,261,722	1.06	108,110,344	1.26
Corporate Obligations	807,243,888	10.18	799,240,560	9.31
Convertible Bonds	159,060	0.00	55,706	0.00
Common Stock & Equity Funds	3,573,004,993	45.08	3,777,918,575	44.04
Convertible Preferred Stock	75,520	0.00	3,375,353	0.04
Preferred Stock	8,051	0.00	5,742,468	0.07
Foreign Equity Securities	1,231,600,202	15.53	1,594,371,444	18.59
Real Estate Funds	417,054,183	5.26	349,790,999	4.08
Alternative Investments	414,830,358	5.23	494,792,298	5.77
Money Market Instruments	345,095,683	4.35	345,601,984	4.03
Forward Foreign Exchange Contracts	511,922	0.01	(52,875)	0.00
	7,931,474,054	100.04	8,613,585,197	100.41
Other Assets, Less Liabilities	(3,145,553)	(.04)	(35,503,230)	(0.41)
Net Assets, at Fair Value	$ 7,928,328,501	100.0%	$ 8,578,081,967	100.0%

ANALYSIS OF INVESTMENT PERFORMANCE[1]

	2002	2001	2000	1999	1998
Total Return* - Past 3 years		(1.1)%			
Total Return* - Past 5 years			5.2%		
Total Return* - year by year	(6.9)%	(7.1)%	11.8%	12.9%	18.1%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	2.4%	2.6%	2.4%	2.8%	3.4%
Comparative rates of return on fixed income securities					
Total fixed income - ISBI	5.5%	9.5%	4.0%	3.4%	11.1%
Comparison index:					
Lehman U.S. Universal Bond Index	7.7%	10.8%	4.8%	2.7%	10.1%
Comparative rates of return on equities					
Domestic equities - ISBI	(14.6)%	(10.3)%	10.3%	17.3%	27.6%
Comparison index:					
S&P 500	(18.0)%	(14.8)%	7.3%	22.7%	30.2%

[1] The Northern Trust Company, the ISBI's master custodian, provides performance rates of return by portfolio, portfolio aggregation and the respective indices in accordance with the Association for Investment Management and Research (AIMR) performance presentation standards.

* Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

Investment Section

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations for fiscal years 2002 and 2001:

	2002	2001	Increase/(Decrease) Amount	Percentage
Balance at beginning of year, at fair value	$ 60,463,005	$ 68,916,666	$ (8,453,661)	(12.3)%
Cash transferred from ISBI (net)	(4,350,000)	(3,700,000)	650,000	17.6
Net ISBI investment revenue:				
ISBI Commingled Fund income	1,472,358	1,790,900	(318,542)	(17.8)
Less ISBI Expenses	(126,316)	(148,412)	(22,096)	(14.9)
Net ISBI investment income	1,346,042	1,642,488	(296,446)	(18.0)
Net (depreciation) in fair value of ISBI investments	(5,304,627)	(6,396,149)	(1,091,522)	(17.1)
Net ISBI investment (loss)	(3,958,585)	(4,753,661)	(795,076)	(16.7)
Balance at end of year, at fair value	$ 52,154,420	$ 60,463,005	$ (8,308,585)	(13.7)%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY 2002 was $43,745 compared to $102,744 during FY 2001.

ACTUARIAL SECTION

Actuary's Certification Letter

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

29 SOUTH LaSALLE STREET SUITE 735
CHICAGO, ILLINOIS 60603
PHONE (312) 726-5877 FAX (312) 726-4323

October 5, 2002

Board of Trustees and Executive Secretary
General Assembly Retirement System of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the General Assembly Retirement System of Illinois as of June 30, 2002. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

There have been no changes in the benefit provisions of the system during the period between the date of the last actuarial valuation and the date of the current valuation.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five years and recommend, as a result of such investigation, the actuarial assumptions to be adopted. As the actuary, we have completed such an experience analysis for the five-year period 1996-2001. Based on this experience analysis, we recommended, and the Board adopted, several changes in the actuarial assumptions used for the June 30, 2002 actuarial valuation. We have estimated that the changes made in the actuarial assumptions used for the June 30, 2002 valuation had the impact of increasing the total actuarial liability by $1,211,951. We believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

Section 5/2-124 of the Illinois Pension Code specifies the funding plan currently in effect for the system. The financing objective under this plan is to have the required State contributions sufficient to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. For fiscal years 2011 through 2045, the required State contributions are to be a level percentage of payroll. For fiscal years 1996 through 2010, the State contribution shall be increased as a percentage of the applicable payroll in equal annual increments so that by fiscal year 2011, the State is contributing at the required rate.

Based on the June 30, 2002 actuarial valuation, we have determined the required State contribution under this funding plan for fiscal year 2004. We have also estimated the required State contributions for future years.

The system's current funding plan does not meet the requirements for amortizing the unfunded liability provided under GASB Statement No. 25. In all other respects, the assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB Statement No. 25.

Actuary's Certification Letter

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

The asset values used for the valuation were based on the audited asset information reported by the system. For purposes of the current valuation, the market value of the assets of the system, less the amount of liabilities, was used.

The actuarial liabilities have been valued on the basis of membership data, which is supplied by the administrative staff of the system and verified by the system's auditors. We have made additional tests to ensure its accuracy.

In our opinion, the information presented herein fairly presents the financial condition of the General Assembly Retirement System of Illinois as of June 30, 2002. We prepared the accompanying Actuarial Cost Method and Summary of Major Actuarial Assumptions. The staff of the retirement system prepared the other supporting schedules in this section and the trend tables in the financial section, based on information contained in our actuarial reports.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff

Carl J. Smedinghoff, A.S.A.
Associate Actuary

Actuarial Section

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount, required to be paid to the System by the state during the succeeding fiscal year.

The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial requirements, pursuant to Chapter 40, Section 5/2-146 of the Illinois Compiled Statutes.

In August, 1994, Senate Bill 533 was signed into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides that:

- For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

- For fiscal years 2002 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

- Beginning in fiscal year 2045, the minimum contribution to the System for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

The amortization period required by the state's funding plan, as described above, does not meet the parameters of GASB Statement No. 25.

Most importantly, the funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

Although long-term in nature, we believe that this legislation has been an extremely positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the General Assembly Retirement System.

For fiscal years 2002 and 2001, the System received the actuarially determined employer contributions in accordance with the state's funding plan described above.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan established by Public Act 88-0593.

DESCRIPTION OF THE ACTUARIAL ASSUMPTIONS UTILIZED FOR FISCAL YEARS 2002 AND 2001

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 2002.

Mortality Rates: Active and retired members: For fiscal year 2002, the UP-1994 Mortality Table for Males. For fiscal year 2001, the UP-1994 Mortality Table for Males, rated up 2 years. Spouses: For fiscal year 2002, the UP-1994 Mortality Table for Females. For fiscal year 2001, the UP-1994 Mortality Table for Females, rated up 1 year.

Salary Increase: A salary increase assumption of 6.5% per year (consisting of a general increase component of 4.5% per year, 4.0% of which is attributable to inflation, and a seniority/merit component of 2.0% per year), compounded annually, was used. In determining total covered payroll, the size of the active group is assumed to remain constant.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.0% per year and a real rate of return component of 4.0% per year), compounded annually, was used.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

Spouse's Age: The age of the spouse was assumed to be 4 years younger than the age of the participant.

Termination Rates: Termination rates based on the recent experience of the System were used. The following is a sample of the termination rates that were used:

	Fiscal Year	
	2002	2001
Age	Rate of Termination	Rate of Termination
20 - 65	.070	.090
66 and over	.000	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used. The following is a sample of the disability rates that were used:

Age	Rate of Disability	Age	Rate of Disability
30	.00057	45	.00115
35	.00064	50	.00170
40	.00083	55 and over	.00000

Retirement Rates: Rates of retirement for each age from 55 to 80 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

	Fiscal Year	
	2002	2001
Age	Rate of Retirement	Rate of Retirement
55	.20	.18
60	.10	.16
65	.08	.17
70	.05	.20
75	.05	.20
80 and over	1.00	1.00

The above retirement rates are equivalent to an average retirement age of approximately 60 for fiscal year 2002 and 64 for fiscal year 2001.

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

Please refer to the Plan Summary and Legislative Section for a summary of the plan provisions and legislative amendments that were evaluated and considered by the actuary during the valuation process.

Actuarial Section

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

Fiscal Year	Aggregate Accrued Liabilities For: (1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Net Assets Available for Benefits*	Percentage of Accrued Liabilities Covered By Net Real Assets (1)	(2)	(3)
1993	$ 10,263,855	$ 62,875,015	$ 29,361,863	$ 40,673,690	100.0%	48.4%	0.0%
1994	10,734,454	65,587,970	34,397,534	40,910,567	100.0	46.0	0.0
1995	11,059,576	70,633,297	37,669,240	40,697,602	100.0	42.0	0.0
1996	11,732,410	73,422,443	42,210,060	51,404,258	100.0	54.0	0.0
1997	11,911,785	82,533,374	49,391,446	56,709,651	100.0	54.3	0.0
1998	12,911,744	82,807,632	54,689,072	62,737,590	100.0	60.2	0.0
1999	12,938,514	91,451,207	56,481,034	66,832,508	100.0	58.9	0.0
2000	13,697,347	93,016,774	62,648,794	70,471,444	100.0	61.0	0.0
2001	14,667,801	97,775,794	65,102,549	61,997,847	100.0	48.4	0.0
2002	15,353,162	106,247,988	62,981,394	54,050,567	100.0	36.4	0.0

** Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).*

VALUATION RESULTS

Actuarial Liability:	June 30, 2002	June 30, 2001
For Active Participants:		
Basic retirement annuity	$ 24,917,540	$ 25,592,752
Annual increase in retirement annuity	6,903,926	7,327,051
Pre-retirement survivors' annuity	3,610,257	2,453,388
Post-retirement survivors' annuity	3,629,143	3,912,645
Withdrawal benefits	7,152,173	7,831,584
Disability benefits	198,580	174,280
Total	46,411,619	47,291,700
For Participants Receiving Benefits:		
Retirement annuities	90,657,875	82,832,141
Survivor annuities	15,590,113	14,943,653
Total	106,247,988	97,775,794
For Inactive Participants	31,922,937	32,478,650
Total Actuarial Liability	184,582,544	177,546,144
Net Assets, Fair Value	54,050,567	61,997,847
Unfunded Actuarial Liability	$ 130,531,977	$ 115,548,297

SUMMARY OF ACCRUED & UNFUNDED ACCRUED LIABILITIES

(Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Actuarial Section

Fiscal Year	Total Actuarial Liability	Net Assets*	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1993	$ 102,500,733	$ 40,673,690	39.7%	$ 61,827,043	$ 8,651,000	714.7%
1994	110,719,958	40,910,567	36.9%	69,809,391	8,597,000	812.0%
1995	119,362,113	40,697,602	34.1%	78,664,511	8,774,000	896.6%
1996	127,364,913	51,404,258	40.4%	75,960,655	8,825,000	860.7%
1997	143,836,605	56,709,651	39.4%	87,126,954	9,362,000	930.6%
1998	150,408,448	62,737,590	41.7%	87,670,858	10,005,000	876.3%
1999	160,870,755	66,832,508	41.5%	94,038,247	10,467,000	898.4%
2000	169,362,915	70,471,444	41.6%	98,891,471	10,763,000	918.8%
2001	177,546,144	61,997,847	34.9%	115,548,297	11,479,000	1,006.6%
2002	184,582,544	54,050,567	29.3%	130,531,977	12,089,000	1,080.0%

* *Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).*

SCHEDULE OF RETIRANTS & SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal	Annuitants				Survivors*				
Year	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
1993	204	33	7	230	131	6	6	131	361
1994	230	5	13	222	131	11	8	134	356
1995	222	11	14	219	134	14	6	142	361
1996	219	7	10	216	142	7	12	137	353
1997	216	14	7	223	137	6	11	132	355
1998	223	2	7	218	132	4	8	128	346
1999	218	15	9	224	128	7	5	130	354
2000	224	7	10	221	130	5	7	128	349
2001	221	11	6	226	128	5	8	125	351
2002	226	10	9	227	125	6	5	126	353

**Includes reversionary annuities*

Actuarial Section

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 2002	FY 2001
Unfunded actuarial liability at Beginning of FY	$115,548,297	$ 98,891,471
Employer contribution requirement of normal cost plus interest on the unfunded liability	11,463,203	10,115,136
Actual employer contribution for the year	4,721,478	4,311,909
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	6,741,725	5,803,227
Increase in unfunded liability due to investment return lower than assumed	8,713,370	10,135,725
(Decrease) in unfunded liability due to salary increases lower than assumed	(1,520,756)	(555,323)
Increase in unfunded liability due to salary increases for inactive members	1,078,904	1,962,424
Increase in unfunded liability due to changes in actuarial assumptions	1,211,951	–
(Decrease) in unfunded liability due to other sources	(1,241,514)	(689,227)
Total Actuarial Losses	8,241,955	10,853,599
Net Increase in unfunded liability for the year	14,983,680	16,656,826
Unfunded actuarial liability at end of FY	$130,531,977	$115,548,297

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1993	186	$ 8,651,000	$ 46,511	4.8%
1994	184	8,597,000	46,723	0.5%
1995	182	8,774,000	48,209	3.2%
1996	181	8,825,000	48,757	1.1%
1997	181	9,362,000	51,724	6.1%
1998	181	10,005,000	55,276	6.9%
1999	181	10,467,000	57,829	4.6%
2000	181	10,763,000	59,464	2.8%
2001	181	11,479,000	63,420	6.7%
2002	181	12,089,000	66,790	5.3%

STATISTICAL SECTION

Statistical Section

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments*	Fixed Assets Net of Accumulated Depreciation	Total
1993	$2,159,819	$485,485	$ 38,094,187	$ 17,184	$ 40,756,675
1994	1,177,781	3,191	39,825,825	12,120	41,018,917
1995	1,693,213	8,941	39,081,113	9,384	40,792,651
1996	1,836,256	7,600	49,643,586	5,128	51,492,570
1997	2,113,679	9,625	54,674,448	9,028	56,806,780
1998	1,643,053	12,841	61,160,683	6,583	62,823,160
1999	1,657,356	11,792	65,253,933	5,632	66,928,713
2000	1,638,076	9,721	68,916,666	4,315	70,568,778
2001	1,632,080	19,546	60,463,005	2,833	62,117,464
2002	1,297,601	701,568	52,154,420	2,081	54,155,670

** Investments are reported at fair value after fiscal year 1995. For all other fiscal years investments are reported at cost (book value).*

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations*	Total
1993	$ 82,985	$ 10,263,855	$ 30,409,835	$ 40,756,675
1994	108,350	10,734,454	30,176,113	41,018,917
1995	95,049	11,059,576	29,638,026	40,792,651
1996	88,312	11,732,410	39,671,848	51,492,570
1997	97,129	11,911,875	44,797,866	56,806,780
1998	85,570	12,911,744	49,825,846	62,823,160
1999	96,205	12,938,514	53,893,994	66,928,713
2000	97,334	13,697,347	56,774,097	70,568,778
2001	119,617	14,667,801	47,330,046	62,117,464
2002	105,103	15,353,162	38,697,405	54,155,670

** The Reserve for Future Operations reflects investments reported at fair value after fiscal year 1995. For all other fiscal years, the Reserve for Future Operations reflects investments reported at cost (book value).*

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions: State of Illinois	Employer Contributions: Other Sources	Employer Contributions: Total	Net Investment Revenue/(Loss)*	Total
1993	$ 2,498,833	$ 2,201,000	$ 510,285	$ 2,711,285	$ 3,517,628	$ 8,727,746
1994	1,011,354	2,116,800	-	2,116,800	3,476,303	6,604,457
1995	1,174,764	2,148,200	163,814	2,312,014	3,155,655	6,642,433
1996	1,141,155	2,400,000	-	2,400,000	7,454,578	10,995,733
1997	1,285,985	2,738,000	49,074	2,787,074	9,021,348	13,094,407
1998	1,224,533	3,113,000	-	3,113,000	9,780,815	14,118,348
1999	1,413,676	3,592,018	107,740	3,699,758	7,683,634	12,797,068
2000	1,317,542	3,951,000	-	3,951,000	7,561,684	12,830,226
2001	1,407,638	4,305,000	6,909	4,311,909	(4,650,917)	1,068,630
2002	1,552,295	4,678,000	43,478	4,721,478	(3,914,840)	2,358,933

** The Net Investment Revenue/(Loss) includes both realized and unrealized gains and losses on investments for fiscal years after 1995. For all other fiscal years, the Net Investment Revenue/(Loss) includes only realized gains and losses on investments.*

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds of Contributions	Administrative Expenses	Total
1993	$ 5,314,381	$ 154,283	$ 203,610	$ 5,672,274
1994	6,131,496	41,590	194,494	6,367,580
1995	6,539,921	117,386	198,091	6,855,398
1996	6,991,373	90,464	202,880	7,284,717
1997	7,368,818	206,666	213,530	7,789,014
1998	7,779,442	83,392	227,575	8,090,409
1999	8,333,664	129,369	239,117	8,702,150
2000	8,840,682	97,593	253,015	9,191,290
2001	9,227,960	37,824	276,443	9,542,227
2002	9,953,233	68,205	284,775	10,306,213

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities *	Total
1993	$ 4,241,273	$ 1,073,108	$ 5,314,381
1994	4,942,821	1,188,675	6,131,496
1995	5,203,413	1,336,508	6,539,921
1996	5,561,571	1,429,802	6,991,373
1997	5,912,782	1,456,036	7,368,818
1998	6,238,415	1,541,027	7,779,442
1999	6,742,033	1,591,631	8,333,664
2000	7,186,818	1,653,864	8,840,682
2001	7,505,092	1,722,868	9,227,960
2002	8,111,247	1,841,986	9,953,233

* *Includes Reversionary annuities.*

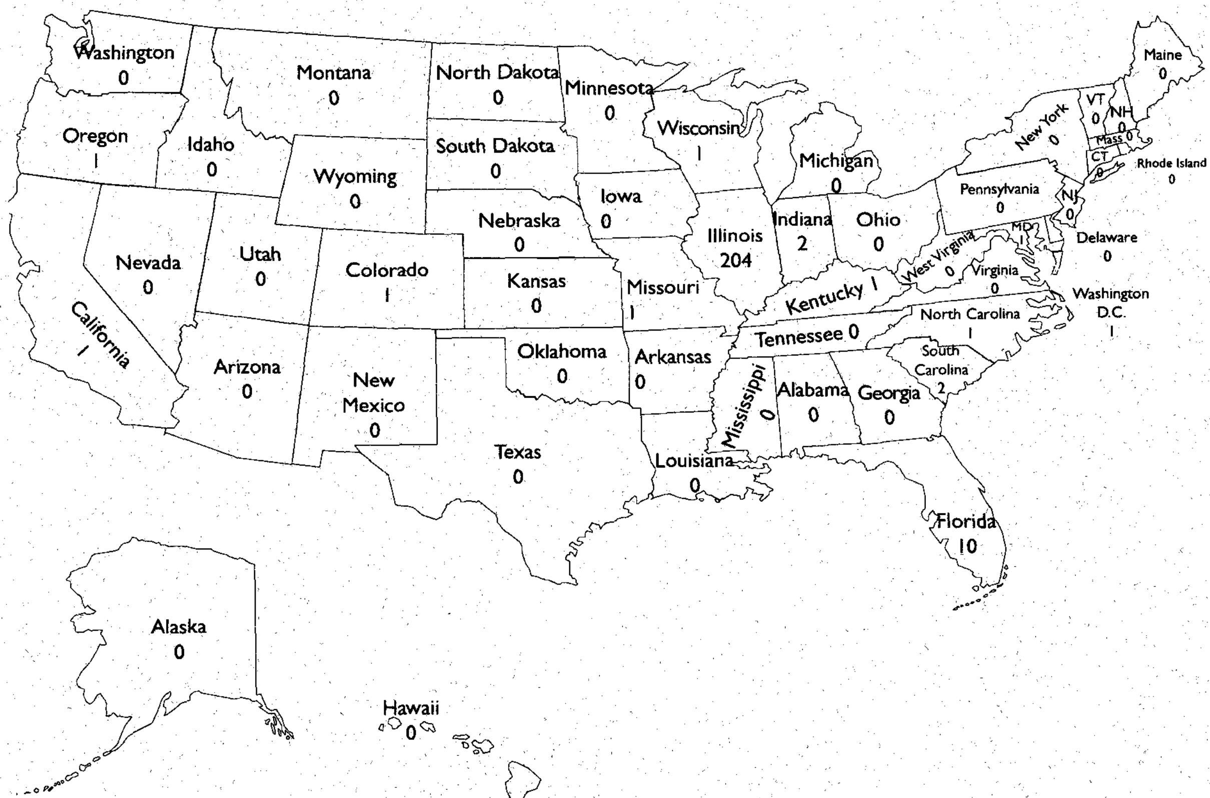
NUMBER OF RECURRING BENEFIT PAYMENTS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total
1993	230	128	3	361
1994	222	131	3	356
1995	219	139	3	361
1996	216	134	3	353
1997	223	129	3	355
1998	218	125	3	346
1999	224	127	3	354
2000	221	125	3	349
2001	226	122	3	351
2002	227	123	3	353

NUMBER ON ACTIVE PAYROLLS

At June 30	Elected State Officers	House Members	Senate Members	Miscellaneous Active	Total
1993	6	118	59	3	186
1994	6	118	59	2	185
1995	6	118	59	–	183
1996	6	118	59	–	183
1997	6	118	59	–	183
1998	6	118	59	–	183
1999	6	118	59	–	183
2000	6	118	59	–	183
2001	6	118	59	–	183
2002	6	118	59	–	183

ACTIVE RETIREES BY STATE



RETIREMENT ANNUITANTS STATISTICS & AVERAGE MONTHLY BENEFITS

	At Retirement			
Fiscal Year Ended June 30	Average Age	Average Length of Service *	Average Current Age	Average Current Monthly Benefit
1993	60.2	13.4	70.0	$ 1,761
1994	59.9	13.2	70.2	1,880
1995	60.0	13.4	70.3	2,047
1996	59.8	13.4	70.5	2,175
1997	60.0	13.6	70.7	2,301
1998	59.8	13.7	71.4	2,399
1999	59.0	15.0	71.2	2,604
2000	59.6	13.8	71.6	2,706
2001	59.6	13.6	71.7	2,810
2002	59.4	13.5	71.7	3,033

* in years

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1993	186	107	293
1994	184	101	285
1995	182	114	296
1996	181	108	289
1997	181	113	294
1998	181	113	294
1999	181	118	299
2000	181	110	291
2001	181	111	292
2002	181	105	286

Statistical Section

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1993	6	$31,032
1994	4	13,064
1995	6	117,347
1996	1	3,641
1997	4	38,717
1998	2	29,846
1999	2	55,653
2000	3	97,593
2001	1	12,290
2002	1	4,719

Annuitants by Benefit Range (Monthly) on June 30, 2002

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	25	25	11.0%	11.0%
501-1000	17	42	7.5	18.5
1001-1500	18	60	7.9	26.4
1501-2000	20	80	8.8	35.2
2001-2500	24	104	10.6	45.8
2501-3000	16	120	7.0	52.8
3001-3500	21	141	9.3	62.1
3501-4000	13	154	5.7	67.8
4001-4500	20	174	8.8	76.6
4501-5000	17	191	7.5	84.1
5001-5500	12	203	5.3	89.4
5501-6000	6	209	2.6	92.0
6001-6500	3	212	1.3	93.3
6501-7000	5	217	2.2	95.5
7001-7500	3	220	1.3	96.8
7501-8000	2	222	1.0	97.8
8001-8500	2	224	1.0	98.8
8501-9000	1	225	0.4	99.2
9001-9500	1	226	0.4	99.6
9501-10000	1	227	0.4	100.0

Survivors* by Benefit Range (Monthly) on June 30, 2002

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	39	39	31.0%	31.0%
501-1000	22	61	17.5	48.5
1001-1500	17	78	13.5	62.0
1501-2000	24	102	19.0	81.0
2001-2500	15	117	11.9	92.9
2501-3000	7	124	5.5	98.4
3001-3500	0	124	0.0	98.4
3501-4000	0	124	0.0	98.4
4001-4500	1	125	0.8	99.2
4501-5000	0	125	0.0	99.2
5001-5500	1	126	0.8	100.0

* includes reversionary annuities

PLAN SUMMARY & LEGISLATIVE SECTION

Plan Summary

SUMMARY OF RETIREMENT SYSTEM PLAN
(As of June 30, 2002)

1. PURPOSE

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected officials, and their beneficiaries.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees.

Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become members of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. PARTICIPANT CONTRIBUTIONS

Participants are required to contribute a percentage of salary as their share of meeting the various benefits at the rates shown below:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	11.5%

A participant who has no eligible survivors' annuity beneficiary may elect to not participate in the survivors' annuity provisions in which case the total participant contribution rate is 9.5% of salary.

5. RETIREMENT ANNUITY

A. Qualification of Participant

Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least eight years of credit, or at age 62 with at least four years of credit.

B. Amount of Annuity

The retirement annuity is determined according to the following formula based upon the applicable salary:

3.0% for each of the first 4 years of credit;
3.5% for each of the next 2 years of credit;
4.0% for each of the next 2 years of credit;
4.5% for each of the next 4 years of credit;
5.0% for each year of service over 12 years.

The maximum annuity is 85% of final rate of salary after 20 years of credit.

C. Optional Forms of Payment

Reversionary Annuity: A participant may elect to receive a reduced annuity during his or her lifetime in order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity

Post-retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year following the first anniversary of retirement and in January or July of each year thereafter. However, if the participant has not attained age 60 at that date, the payment of such annual increase shall be deferred until the first of the month following their 60th birthday.

For participants who remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 following the date when the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until (1) the January 1 or the July 1 next following the first anniversary of retirement, or (2) the first of the month following attainment of age 60, whichever occurs later.

E. Suspension of Retirement Annuity
An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

6. SURVIVORS' ANNUITY

A. Qualification of Survivor
If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 4 years of credit.

To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment
If the participant's death occurs while in service, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children would receive the greater of 66-2/3% of the earned retirement annuity or 30% of salary increased by 10% of salary for each minor child, subject to a maximum of 50% of salary to a family, unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity. The maximum a surviving spouse with eligible children would receive is 75% of the earned retirement annuity unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be $300 per month.

C. Duration of Payment
When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age.

D. Annual Increases in Survivors' Annuity
Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity.

In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

Plan Summary

7. DEATH BENEFITS

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement
If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement
If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

The following lump sum death benefit is payable to the named beneficiaries or estate of the survivor.

A. Death of Survivor Annuitant
Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. DISABILITY BENEFIT

A participant with at least 8 years of service who becomes permanently disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. REFUND OF CONTRIBUTIONS

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

A participant who has no eligible survivors is entitled to a full refund of contributions for the survivors' annuity benefit. The refund may be repaid, with required interest, to qualify a spouse for survivors' annuity benefits if the participant marries or remarries after retirement.

Legislative Section

LEGISLATIVE AMENDMENTS

There were no legislative amendments with an effective date during fiscal year 2002 having an impact on the System.

NEW LEGISLATION

There were no legislative amendments with an effective date subsequent to June 30, 2002, having an impact on the System.